CHECKLIST ENVIRONMENTAL ASSESSMENT

Project Name:	Hiland H-1 Pipeline Phase 2 Easement and LUL for temporary workspace
Proposed Implementation Date:	2014
Proponent:	Hiland Crude LLC/ Diamond Resources
Location:	T20N-R59E-Sec 16, T19N-R59E-Sec 26
County:	Richland County

Definitions

I. TYPE AND PURPOSE OF ACTION

Hiland Crude LLC/ Diamond Resources (henceforth referred to as proponent) has requested a 50 foot wide right of way easement to cross state owned tracts listed in the location description with a 12" Crude Oil Pipeline. The total planned length of the pipeline across state land is 42.28 rods and encompasses approximately .801acres. This proposed project will cross 2 tracts of state land of varying lengths. The project would also require a temporary land use license for additional construction space outside of the requested easement width.

II. PROJECT DEVELOPMENT

1. PUBLIC INVOLVEMENT, AGENCIES, GROUPS OR INDIVIDUALS CONTACTED:
Provide a brief chronology of the scoping and ongoing involvement for this project.

The Eastern Land Office staff has been working with land agents and engineers for the Hiland H-1 line throughout 2013-2014. This included preliminary project overviews, staking requests, route reviews, on ground surveys and reviews of the easement process. Hiland submitted easement applications for sections of State Trust Lands within the project corridor. These easement applications are being reviewed in conjunction with preparation of site specific Environmental Assessment Checklist.

2. OTHER GOVERNMENTAL AGENCIES WITH JURISDICTION, LIST OF PERMITS NEEDED:

Montana Department of Environmental Quality; Permitting and Compliance Division; Water Protection Bureau:
401 Permit, 318 Permit, MPDES Permit
Montana Public Service Commission
Montana Department of Natural Resources; Water Resources Division:
Beneficial Water Use Permit
Montana Historical Society
United State Department of Defense; U.S. Army Corp of Engineers:
Nationwide Permit 12, 404 Permit
United States Fish and Wildlife Service:
Section 7 Endangered Species Act
Local Conservation Districts:
Section 310 Permit

3. ALTERNATIVES CONSIDERED:

Alternative A- Grant a right of way easement to Hiland H-1 Pipeline for the purpose of installing, operating and maintaining a 12" crude oil pipeline across 2 tracts of State Trust Land.

Alternative B- No Action

III. IMPACTS ON THE PHYSICAL ENVIRONMENT

- *RESOURCES potentially impacted are listed on the form, followed by common issues that would be considered.*
- *Explain POTENTIAL IMPACTS AND MITIGATIONS following each resource heading.*
- *Enter "NONE" If no impacts are identified or the resource is not present.*

4. GEOLOGY AND SOIL QUALITY, STABILITY AND MOISTURE:

Consider the presence of fragile, compactable or unstable soils. Identify unusual geologic features. Specify any special reclamation considerations. Identify any cumulative impacts to soils.

Alternative A- Moderate to extensive soil disturbance may take place along the pipeline route. This disturbance would be in relation to trenching and pipeline construction. Soils identified on the tract within the route of the pipeline are of varying soil types mostly silty sand textured. Most soils on state land are moderately stable. The construction plan calls for topsoil to be stripped and stockpiled separate from spoil material. Upon restoration all removed topsoil will be replaced. Trench and slope breaking devices as well as silt fences and straw application will be used to prevent sub soil erosion. Construction sites will be continuously monitored to ensure proper restoration. No highly erosive or unstable soils were noted within the project scope during the field inspections.

Alternative B- No Impact.

5. WATER QUALITY, QUANTITY AND DISTRIBUTION:

Identify important surface or groundwater resources. Consider the potential for violation of ambient water quality standards, drinking water maximum contaminant levels, or degradation of water quality. Identify cumulative effects to water resources.

Alternative A- Minimal impact to water quality, quantity and distribution could be expected. Construction methods could increase soil compaction which could lead to increased runoff and slower soil absorption. Mitigation procedures would include de-compaction of the soil within the trench area and work space after construction completion to allow for improved drainage. Groundwater resources should not experience significant impacts due to the shallow construction of the line and relatively deep depth of the aquifers. All construction methods will be done in a way to minimize impacts to both ground and surface water sources. The proponent will also be required to install silt fences, straw mats and other appropriate erosion control devices where applicable.

Alternative B- No Impact

6. AIR QUALITY:

What pollutants or particulate would be produced? Identify air quality regulations or zones (e.g. Class I air shed) the project would influence. Identify cumulative effects to air quality.

Alternative A- Construction could be expected to temporarily impact local ambient air-quality. This impact would be produced through fugitive dust as well as emission from construction equipment. This temporary localized impact should only take place on these tracts of trust land during clearing, construction and restoration processes. Fugitive dust would be controlled through applying water to roads and work areas as well as revegetating the disturbed areas in a prompt time frame after construction. Impact from construction would be temporary and should not result in significant impacts in air quality.

Alternative B- No Impact

7. VEGETATION COVER, QUANTITY AND QUALITY:

What changes would the action cause to vegetative communities? Consider rare plants or cover types that would be affected. Identify cumulative effects to vegetation.

Alternative A- Potential disruption to the vegetative community within the area of construction on State Trust Land could be expected. The vegetative community that make up the general project area include but are not limited to Western Wheatgrass (Agropyron smithii), Green Needlegrass (Stipa viridula), Little Bluestem (Schizachyrium scoparium), Needle and Thread (Stipa comata), Prairie Junegrass (Koleria pyramidata), Blue Grama (Bouteloua gracilis) and Crested Wheatgrass (Agropyron cristatum). Hiland has created a restoration plan to address disturbances to the plant community. Construction areas will have stored topsoil replaced, contoured and reseeded to a native seed mixture to be approved by the DNRC Eastern Land Office field staff. Hiland will be required to control any noxious weed infestations resulting from construction activities as a term of any easement or land use license issued. All noxious weed plans will be submitted to the appropriate County Weed Boards for revisions and approval.

Alternative B- No Impact

8. TERRESTRIAL, AVIAN AND AQUATIC LIFE AND HABITATS:

Consider substantial habitat values and use of the area by wildlife, birds or fish. Identify cumulative effects to fish and wildlife.

Alternative A- This project may disrupt wildlife habitat for a number of species. Species which may have habitat in the area of the project may include deer, antelope, rodents, coyotes, foxes, mountain lions, rodents, amphibians, raptors, fish, reptiles, migratory and prairie birds. The majority of disruption would occur during the construction and reclamation phases of the project. Upon project completion habitats and wildlife utilization should return to normal preconstruction levels.

Alternative B- No Impact

9. UNIQUE, ENDANGERED, FRAGILE OR LIMITED ENVIRONMENTAL RESOURCES:

Consider any federally listed threatened or endangered species or habitat identified in the project area. Determine effects to wetlands. Consider Sensitive Species or Species of special concern. Identify cumulative effects to these species and their habitat.

Alternative A- A search of the Montana Natural Heritage Program Database shows no observations of threatened or endangered species within the proposed area of construction. T20N-R59E-Sec 16 showed no evidence of species of concern within the general project area. T19N-R59E-Sec 26 showed 4 species of concern observed in the general project area. These species include Brewer's Sparrow (Spizella breweri), Chestnut-collared Longspur (Calcarius ornatus), Loggerhead Shrike (Lanius ludovicanus), and Sharp-tailed Grouse (Tymanuchus phasianellus). Construction activities may temporarily disrupt this species if present, but after project completion the use of the area should return to a normal preconstruction level.

This proposed pipeline project does not occur within Greater Sage Grouse Core or General Habitat areas. The vegetative community of the general area is typically not conducive to Greater Sage Grouse habitat.

Alternative B- No Impact

10. HISTORICAL AND ARCHAEOLOGICAL SITES:

Identify and determine effects to historical, archaeological or paleontological resources.

Alternative A- The proponent has consulted with the DNRC Archeologist and the State Historical Preservation Office on the proposed route. Eastern Land Office field staff inspected the route on November 13th, 2013 and did not find any historical or cultural sites. The proponent has conducted a class three intensive cultural survey of the proposed construction route and did not identify any cultural resources on state trust land within the area of proposed disturbance. Should any such resources be discovered during the construction of this project protocols are in place to immediately cease operations and notify both the DNRC Staff Archeologist and the State Historical Preservation Officer. Construction may only resume after authorization from the DNRC Archeologist and the Montana State Historical Preservation Officer.

Alternative B- No Impact

11. AESTHETICS:

Determine if the project is located on a prominent topographic feature, or may be visible from populated or scenic areas. What level of noise, light or visual change would be produced? Identify cumulative effects to aesthetics.

Alternative A- Alteration of the viewshed should only occur during the clearing, construction and restoration activities. Some areas of the proposed project would be visible from county roads and a state highway. Construction activities may leave a temporary mark on the vegetative community which should recover fully after restoration is complete generally within 3 years or less. No above ground structures are included within the easement request. Noise levels may also be increased during the clearing construction and restoration activities. These noise levels may be increased moderately from ambient levels. These noise increases should only be short term in duration. These noise levels may temporarily disrupt some wildlife within the immediate area of construction. Construction is scheduled to take place during daylight hours and should not affect local government quiet hours. No detectible noise is anticipated along the route after completion of construction and during operation of the line.

Alternative B- No Impact

12. DEMANDS ON ENVIRONMENTAL RESOURCES OF LAND, WATER, AIR OR ENERGY:

Determine the amount of limited resources the project would require. Identify other activities nearby that the project would affect. Identify cumulative effects to environmental resources.

Alternative A- Limited land resources may be utilized in the short term; once reclamation is complete depleted resources would be restored to at or above pre construction levels. Limited resources may include water for dust control efforts during construction. If required the proponent would have to secure a beneficial water use permit from the DNRC Water Resources Division. No water will be used from State Trust Land sources.

Alternative B- No Impact

13. OTHER ENVIRONMENTAL DOCUMENTS PERTINENT TO THE AREA:

List other studies, plans or projects on this tract. Determine cumulative impacts likely to occur as a result of current private, state or federal actions in the analysis area, and from future proposed state actions in the analysis area that are under MEPA review (scoped) or permitting review by any state agency.

No proposed or ongoing MEPA reviews were noted in the general area of proposed construction.

IV. IMPACTS ON THE HUMAN POPULATION

- *RESOURCES potentially impacted are listed on the form, followed by common issues that would be considered.*
- *Explain POTENTIAL IMPACTS AND MITIGATIONS following each resource heading.*
- *Enter "NONE" If no impacts are identified or the resource is not present.*

14. HUMAN HEALTH AND SAFETY:

Identify any health and safety risks posed by the project.

Alternative A- There may be potential health and safety risks associated with this project. These risks can be mitigated with proper training and on site safety protocols. Hiland H-1 pipeline will adhere to DOT Minimum Federal Safety Standards. Hydrostatic testing, corrosion and cathodic protection, internal inspection, and continuous monitoring will be employed to protect health and human safety. Hiland will also participate in state "one call" programs. Some increase in traffic in rural areas may increase the chance of accidents.

Alternative B- No Impact

15. INDUSTRIAL, COMMERCIAL AND AGRICULTURE ACTIVITIES AND PRODUCTION:

Identify how the project would add to or alter these activities.

Alternative A- This proposed project should have a long term positive effect on industrial and commercial activities through increasing transportation capabilities for domestically produced crude oil. This project may have a short term negative effect on agricultural activities and production. Most of the tracts that the proposed pipeline will cross are made up of rangelands that may be temporarily disturbed. The proponent has contacted the State Land surface lessee of record and make sure that plans have been made to compensate the lessee for actual losses. These negative effects should only last through the construction and restoration phases of the proposed project. Hiland has coordinated with the surface lessee of record to repair any damaged improvements (fences, cattle guards, stock water pipelines).

Alternative B- No Impact

16. QUANTITY AND DISTRIBUTION OF EMPLOYMENT:

Estimate the number of jobs the project would create, move or eliminate. Identify cumulative effects to the employment market.

Alternative A- This project has the potential to create jobs with further development possibilities. The expected amount of added jobs is unknown at this time. Indirect increases in employment may also occur due to increased demand for service oriented businesses during the construction of the project. Direct and indirect economic impact of the area is expected to be short with construction expected to take a few months.

Alternative B- No Impact

17. LOCAL AND STATE TAX BASE AND TAX REVENUES:

Estimate tax revenue the project would create or eliminate. Identify cumulative effects to taxes and revenue.

Alternative A- This project is expected to increase tax revenue within counties crossed by the pipeline through issuance of property taxes, applicable local taxes, and payroll taxes collected from employees working in Montana. Expected tax revenue increase is not known at this time.

Alternative B- No impact additional tax revenues would not be realized.

18. DEMAND FOR GOVERNMENT SERVICES:

Estimate increases in traffic and changes to traffic patterns. What changes would be needed to fire protection, police, schools, etc.? Identify cumulative effects of this and other projects on government services

Alternative A- Traffic levels could increase marginally during the construction phase of this project. Additional police and fire protection as well as county road maintenance may be required. This increase should only be short term and temporary.

Alternative B- No Impact

19. LOCALLY ADOPTED ENVIRONMENTAL PLANS AND GOALS:

List State, County, City, USFS, BLM, Tribal, and other zoning or management plans, and identify how they would affect this project.

Alternative A- There is no noted adopted environmental plans or goals within the boundary of the easement requested.

Alternative B- No Impact

20. ACCESS TO AND QUALITY OF RECREATIONAL AND WILDERNESS ACTIVITIES:

Identify any wilderness or recreational areas nearby or access routes through this tract. Determine the effects of the project on recreational potential within the tract. Identify cumulative effects to recreational and wilderness activities.

Alternative A- This proposed project and easement request should have only a minimal effect on access to recreational and wilderness activities. These opportunities may be disrupted during construction and restoration phases of the project. These phases will be short term in nature and should have no lasting effect on recreational activities.

Alternative B- No Impact

21. DENSITY AND DISTRIBUTION OF POPULATION AND HOUSING:

Estimate population changes and additional housing the project would require. Identify cumulative effects to population and housing.

Alternative A- There is potential for a temporary increase in population as well as housing demand. The estimated maximum work force is unknown at this time. This work force may require some amount of temporary housing, mobile camper parking, or camping facilities.
Alternative B- No Impact

22. SOCIAL STRUCTURES AND MORES:

Identify potential disruption of native or traditional lifestyles or communities.

Alternative A- This project has the potential to have a minimal and temporary disruption of native or traditional lifestyles. This disruption should cease once the construction and reclamation phases are completed.

Alternative B- No Impact

23. CULTURAL UNIQUENESS AND DIVERSITY:

How would the action affect any unique quality of the area?

Alternative A- No Significant Impact

Alternative B- No Impact

24. OTHER APPROPRIATE SOCIAL AND ECONOMIC CIRCUMSTANCES:

Estimate the return to the trust. Include appropriate economic analysis. Identify potential future uses for the analysis area other than existing management. Identify cumulative economic and social effects likely to occur as a result of the proposed action.

Alternative A- This project would require the purchase of a right of way easement across these tracts of Trust Land. The proponent has offered a price per rod of this easement of $108.00. At that price offer the total easement revenue to the trust would be approximately $4566.24. Price will be subject to the State Board of Land Commissioners approval and could change to increase revenue to the trust. The project would also

require a temporary land use license for additional construction space outside the width of the requested easement. The amount of acreage requested is unknown at this time.

Alternative B- Additional revenue to the trust through the sale of a right of way easement and issuance of a land use license would not be realized.

EA Checklist Prepared By:	**Name:**	Scott Aye	**Date:**	4-1-2014
	Title:	Land Use Specialist		

V. FINDING

25. ALTERNATIVE SELECTED:

Alternative A

26. SIGNIFICANCE OF POTENTIAL IMPACTS:

The granting of the requested right of way easement and land use licenses across state owned trust lands for the proposed Hiland H-1Pipeline should not result in nor cause significant environmental impacts. The predicted environmental impacts have been identified and mitigation measures addressed in the Checklist EA and construction plan as well as within the Department of Natural Resources and Conservation easement stipulations. The predicted impacts should be adequately mitigated through the construction and reclamation plans. The proposed action satisfies the trusts fiduciary mandate and ensures the long term productivity of the land. An environmental assessment checklist is the appropriate level of analysis for the proposed action

27. NEED FOR FURTHER ENVIRONMENTAL ANALYSIS:

[ ]	EIS	[ ]	More Detailed EA	[X]	No Further Analysis

EA Checklist Approved By:	**Name:**	Chris Pileski		
	Title:	Eastern Land Office; Area Manager		
Signature:	/S/ Chris Pileski		**Date**:	4-1-14